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SUBJECT: Loskutovs update

Ref: RIGA 811 and previous

11. Summary: Continuing to search for ways to avoid a vote on the fate of anti-corruption bureau (KNAB) chief Loskutovs, the Saeima legal affairs committee told the government it needed to bolster its case for dismissal and the government pulled back its request for the parliament to dismiss Loskutovs. Prime Minister Aigars Kalvitis continues to contend that his initial suspension of Loskutovs was within his rights, and rejects the Prosecutor General's protest of that action. The Civil Servant Disciplinary Committee issued Loskutovs a reprimand on the basis of the audit of KNAB accounting methods, further weakening Kalvitis' claim that these irregularities demanded drastic action. With a broader view to system reform, the Saeima Legal Affairs Committee has requested a group of subject matter experts to review and revise the law covering the accounting of the types of operational budget funds that prompted the suspension on the KNAB chief. End Summary.

12. The decision of whether to dismiss Aleksejs Loskutovs as head of the anti-corruption bureau (KNAB) is in flux. The Saeima Legal Affairs Committee reviewed the decision of the government on Loskutovs' removal. The Committee's conclusion was to take the vote off the their agenda, and send the case back to government. Their statement was that the committee headed by Prosecutor General Maizitis, had done a very superficial investigation, therefore the case should be sent back to for a more thorough inspection. A Saeima vote would have been required to send the case back to the government. Before the Saeima had a chance to vote, the government pulled back the recommendation for dismissal for more research.

13. The Civil Servant Disciplinary Committee informed Prime Minister Aigars Kalvitis on November 2 that it had decided to issue Loskutovs a reprimand for the accounting violations found by the state auditor. Maris Skudra, head of this committee, stated earlier in the week that dismissing him would be an inappropriate punishment, but that some disciplinary action was in fact required. Committee members voted on whether to issue Loskutovs a reprimand, a fine or to dismiss him.

14. As a separate issue, the Legal Affairs committee proposed, and the Saeima approved, several mandates to review current procedures and laws. These include, formation of a new commission to carry out a more thorough investigation of general use of (often classified) operational budgets, due by November 20. Members of this commission will include the State Audit service, Security Police, and SAB (main intelligence agency). The commission would then be expected to draft unified norms for all security institutions with respect to operational budget resources. By December 1 the government should draft a procedure on the formation, composition and work of the commission that is entitled to dismiss the KNAB chief, should the issue arise again in the future. By May 1 it is requested that legal norms on the regulation of classified and operational budgets should be elaborated.

15. Comment: In a commentary article titled "Driving in Reverse" in Diena, Askolds Rodins asserted probably the most likely outcome when he stated, "The government's decision to 'withdraw Loskutovs from the Saeima' may mean that his suspension is no longer of importance,

and he will be punished in a way which does not involve losing his job." The attempt to remove Loskutovs was the catalyst for the current political crisis in Latvia, but it will likely be set aside because the storm it unleashed was far greater than PM Kalvitis expected. End Comment.